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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/GREENE/WAECHTER;
NSC FOR ABRAMS/DORAN/LOGERFO; STATE PASS TO USAID/BORODIN;
TREASURY FOR ADKINS

E.O. 12958: N/A
TAGS: [PHUM](#) [ECON](#) [ETRD](#) [PREL](#) [KWBG](#)
SUBJECT: LIVING CONDITIONS DECLINE IN GAZA

REF: JERUSALEM 2068

¶1. (SBU) Summary: Anecdotal reports collected by ConGen FSN and USAID staff resident in Gaza indicate that Gazans have witnessed a decline in their living conditions in recent months. According to the World Food Programme (WFP), Gazans have generally pared down consumption of goods to essential food staples. In response to gas shortages and fuel price hikes, Gazans take public transportation to work, if they go to work at all. Although banks still extend credit, it is mostly limited to PA or UN employees. Private and public healthcare facilities continue to provide emergency care to patients, notwithstanding increasing concerns over drug and staff shortages. End Summary.

Uptick in begging and theft

¶2. (SBU) According to USAID and FSN staff in Gaza, there has been a noticeable rise in the number of Palestinians begging in the street, door-to-door, and next to ATMs. Many of those begging are children, who are also selling goods and offering window-cleaning at traffic lights. One headmistress at a school in Khan Younis said that some children had dropped out of school to beg in the streets in order to help their families. This included rooting through garbage bins for food or raw materials. Gazan households are also selling their jewelry and electrical appliances at pawn shops and markets. The incidence of car and home theft has reportedly soared.

Palestinians pare consumption down to essentials

¶3. (SBU) Due to a flooding in the market of unexported produce, the prices of fruits and vegetables have markedly decreased. The prices of basic food staples, however, such as flour, rice, and sugar, have remained high due to previous closures during which stocks were depleted. According to the Palestinian Economic Development Company (PED), greenhouses in former settlement areas produced 12,500 tons of food, of which only 1,500 tons had been exported with the remainder entering the Gaza food market. World Food Programme (WFP) reported that the prices of staple food supplies increased on average by 32.5 percent since January. (Note: Basic commodities are available and no shortages of flour have been reported since April. Since March, no breadlines have been reported. End Note.) In some cases, fish prices have doubled due to a higher demand for fish protein in lieu of poultry culled as a result of Avian Influenza (AI). Sardines, the cheapest fish available, have doubled in price

(reftel). Besides fish, beans are widely viewed and utilized as a cheap source of protein.

¶4. (SBU) WFP reported that some Palestinians have reduced their meal intake from three meals to one or two. USAID staff noted that many Gazans are buying half the amount of meat that they used to purchase, are hoarding flour stocks and have reduced their consumption of dairy products and sweets. Local grocery stores reported that sales of fresh meat have declined, and that frozen meat and chicken sales have risen by 15 percent. In May, WFP noted that frozen fish sales have jumped 50 percent, despite a doubling in price. NGOs reported higher numbers of Palestinians signing up to receive basic food supplements.

Higher fuel costs and shortages translate into people not showing up for work

¶5. (SBU) USAID and FSN staff met informally with local gas station owners who said petrol sales at their stations have fallen 20 to 25 percent because of gas shortages and price hikes. Some gas stations told the staff that sales were down by as much as 40 percent. Fewer personally-owned vehicles are in the street as Gazans turn to public transportation and walking. Unpaid PA employees, mostly residing in Rafah, Khan Younis, and Deir el-Balah, reported that they will not pay for taxi fares or pay for the cost of fueling their cars to get to work. Taxi companies told USAID staff that their business had decreased by one-half in the last two months. WHO staff confirmed that there is less movement of cars in Gaza and that many people choose to walk to work, rather than pay the cost of transport. PA employees are reportedly taking early annual leave or rotating shifts with other employees in order to avoid commuting costs.

Empty stores and empty pockets

¶6. (SBU) The private sector has experienced a sharp downturn as a result of reduced incomes. Purchases are limited to essential commodities, evidenced by a sharp drop in the purchase of non-essential goods and services. As a result of the fall in demand and the unavailability of raw materials, factory owners told USAID staff that they are operating at 25 percent of capacity. Gazans are also switching to the purchase of locally manufactured consumer goods, which may be inferior. In an informal survey, USAID staff spoke to restaurant and cafe owners who said sales are down by 60 to 75 percent, while local gyms and sports facilities reported a decrease of clientele by 40 percent. According to one retailer, apparel purchases have decreased by 50 percent. (Note: Teachers in Gaza reported that students attend classes in winter clothes and uniforms because they have not purchased spring/summer uniforms. End Note.) Some stores have responded to a lack of sales and increased insecurity by reducing store hours 50 to 70 percent.

¶7. (SBU) Palestinian daily Al-Ayyam reported that over 40 percent of government employees borrowed on credit from supermarkets. One wholesaler told USAID staff that the PA owed the store NIS 800,000 (USD 180,000) for its purchases made since March. Small and medium-sized supermarkets no longer allow the purchase of food on credit, because of lack of funds to replenish their stocks.

Banks warn that currency, especially NIS, will soon dry up; minimal credit available

¶8. (SBU) Palestinian private banks are curtailing cash advances to PA employees, although some continue to provide advances or provide overdraft facilities on a case-by-case basis. The Bank of Palestine offers NIS 500 to 1000 (USD 112 to 224) in cash advances to PA employees. Banks, such as the Arab Bank, continue to lend money, mainly to employees from UN agencies such as UNDP and UNRWA. Arab Bank and Bank of Jordan are extending grace periods for existing loans.

¶9. (SBU) Banks no longer allow unlimited withdrawals and some observers believe that money in circulation will soon dry up. Bank of Palestine reported that although there are ample New Israeli Shekels (NIS) in present circulation, unpaid government salaries and purchases by local traders from Israel will soon create a shortage of NIS. According to these banks, USD and Jordanian Dinars are in sufficient quantity and are increasingly used for transactions. ATMs are operational, but many ATMs in remote areas have been closed.

¶10. (SBU) USAID staff, who spoke with officials of the local telephone company Paltel, estimated that 50 percent of all telephones in Gaza have been disconnected. Due to delinquent payments, 15,000 telephone lines, the majority owned by PA employees, have been temporarily suspended and 572 phone lines have been permanently cut. Paltel announced in March that it will not disconnect the landlines of PA employees who are delinquent until salaries are paid. In May, Paltel said it was starting to face difficulty since only 30 percent of its clients pay their telephone bills. Paltel also reported a 20 percent downturn in visits to its stores.

Emergency care only; Palestinians
refusing to pay for healthcare service

¶11. (SBU) According to reports from USAID staff and WFP, a lack of medical supplies and staff shortages has forced clinics and hospitals to work only on emergency cases, and to forego elective non-essential surgeries. (Note: Al Nasser Hospital in Gaza announced that it will not be able to run its Intensive Care Unit (ICU) without medical supplies. End Note.) In some cases, medical disposables are being re-used due to a supply shortage. When medicines are not available at clinics or health centers, Palestinians are reportedly buying herbs and pain killers. In some cases, increased doses of weaker drugs are being provided in place of stronger, more expensive medication. Patients with chronic diseases, the majority of whom are refugees, are able to fill their prescriptions from UNRWA clinics. Non-refugee patients have been turning to unlicensed health facilities and even homeopathic care for treatment.

¶12. (SBU) In order to handle more patients and rising operational costs, several NGO clinics told USAID staff that they have resorted to levying higher patient fees, which has meant that fewer patients are able to afford private care. In many cases, patients refuse to pay after they receive healthcare services. One husband refused to pay an OB/GYN clinic after his wife delivered a baby, reportedly telling the clinic to take his baby as payment. The clinic discharged the patient and newborn without further care. USAID noted NGO reports that the patients who are most in need of MOH services do not subscribe to the national health insurance, and are therefore not eligible for subsidized health care. (Note: PA employees are required to register with the National Health Insurance. Non-PA employees must purchase the health insurance separately. End Note.)
Stevens